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C O N F I D E N T I A L SECTION 01 OF 03 DUBAI 000057

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E.O. 12958: DECL: 1/5/2015  
TAGS: [ECON](#) [ETRD](#) [EFIN](#) [PREL](#) [TC](#)  
SUBJECT: PRESIDENT OF DUBAI CHAMBER OF COMMERCE EXPRESSES CONCERN  
ABOUT FTA NEGOTIATIONS

REF: A) DUBAI 5011 B) ABU DHABI 3834 C) DUBAI 4507

CLASSIFIED BY: Jason L. Davis, Consul General, Dubai, UAE.  
REASON: 1.4 (b)

¶1. (C) Summary: Obaid Al-Tayer, prominent Dubai businessman and President of the Dubai Chamber of Commerce and Industry (DCCI), told Consul General December 29 that the process of negotiating a US-UAE Free Trade Agreement "will not be easy." That said, Dubai businessmen were not against the FTA; rather, they just wanted to ensure that the final product was a good one. Al-Tayer highlighted several concerns that he said were being raised by Dubai merchant families. Among them: inadequate information sharing by the UAEG negotiators; a perception that the USG position was inflexible; fears that a bilateral FTA might endanger Dubai's access to the Saudi market and further isolate Saudi Arabia; concerns about the agency law; and worries that an FTA might lead to even greater numbers of Indians and Pakistanis moving to Dubai. End Summary.

Buy-In from Businessmen  
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¶2. (C) DCCI President Obeid Al-Tayer expressed concern to Consul General December 29 that the concerns of Dubai businessmen and merchant families were not being taken into account by the UAE negotiating team. "When we tell them we want to be a part of the process, they tell us that the U.S. side insists that only government officials can be a part of the negotiations. But we are concerned that our bureaucrats may not be our best negotiators and may not have sufficient knowledge of what is important to our business community." Warning that "these negotiations are not going to be easy," Al-Tayer said it would be very important to secure the buy-in of the business

community, since they were the ones who would be "implementing" whatever agreements were signed. CG pointed out that while it might not be possible for business to be present at the negotiating table, there was no reason they could not provide the UAEG with input on their views and concerns. It would be natural for the views of businessmen to be taken into consideration.

13. (C) Al-Tayer said he thought the businessmen were being cut out because UAEG officials believed they were against the agreement. This was not true: as he himself had recently told Dubai Crown Prince Mohammed bin Rashid (MbR) and UAE Minstate for Foreign Affairs Hamdan bin Zayid (HbZ), "We recognize that there has been a political decision to go ahead with the FTA, and we are not against that decision; we just want to ensure that the final agreement is in the best long-term interests of the UAE." Asked how MbR and HbZ had responded, Al-Tayer said they had been supportive, but had given the impression that there was little point in discussing the concerns of the businessmen because the U.S. had a standard FTA that it signed with every country that couldn't be altered. If Ambassador Zoellick's comment during his visit that the U.S. "doesn't take a 'cookie-cutter' approach is true," he said, then "someone must have misinformed the Sheikhs."

GCC Concerns: Don't Alienate Saudis  
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14. (C) Al-Tayer asked why the FTA could not be negotiated with the entire GCC rather than bilaterally with each country. There was a perception, he added, that the U.S. was strong-arming countries into doing it bilaterally in order to divide and thereby weaken the GCC. Assuring Al-Tayer that there was no truth to that conspiracy theory, CG said it was his understanding that the decision to negotiate bilaterally had been strongly supported by the UAEG because it was the only realistic way of getting an FTA in a timely fashion. Weren't those in Dubai who talked about the need to go through the GCC essentially saying that they were opposed to the FTA in principle, and arguing for GCC involvement in the belief that doing so would delay the agreement indefinitely?

15. (C) Acknowledging that there might be some truth to this perception, Al-Tayer nonetheless argued that there was much more to it than that. The biggest concern in Dubai was to avoid endangering Dubai's access to the Saudi market. Whatever happened with the FTA, it would be critical to "contain" or manage the Saudi reaction. Dubai was extremely vulnerable in this regard; Saudi Arabia was Dubai's second biggest export market after Iran. According to certificates of origin issued in Dubai, Dubai's re-exports to Saudi Arabia last year were UAED 10.5 billion, and by early December this year they had already reached UAED 13.5 billion -- and that didn't even include "national products," i.e. those with at least 40 percent value added in Dubai (according to the GCC customs union rules, "national products" are allowed duty-free entry to other GCC countries, whereas re-exports are subject to 5 percent duty, collected by the receiving country.) Dubai had a manufacturing sector that was dependent on the Saudi market for up to 70 percent of its sales, particular in the food sector. "If the Saudis were to retaliate to a bilateral FTA by requiring their imports to go through Saudi ports, and not through Dubai, we would be finished," Al-Tayer suggested.

16. (C) There were other reasons why it made sense to "work with the Saudis rather than pushing them to close up," Al-Tayer proposed. "We want the Saudis to be more integrated with us, not less; we believe that through engagement with them we can slowly change their culture -- just as we have become more tolerant and cosmopolitan through our history of interaction with other cultures."

Agency Law  
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17. (C) Al-Tayer said there were many misperceptions regarding Dubai's concerns about the Agency Law. First among them was that this was a "Dubai only" issue. In reality, at least 50

percent of registered agency relationships were in Abu Dhabi. Secondly, many in Dubai were wondering why it was necessary to "scrap" the Agency Law altogether, which was the only solution the UAEG negotiators seemed willing to consider. It would be one thing to offer a waiver to US companies as part of the give and take that the FTA would bring. But why should negotiations with the U.S. lead to instant benefits, in exchange for nothing, to European or Indian companies? That is what would happen if the Agency Law were "cancelled" as part of the FTA negotiating process. In response to a direct question, Al-Tayer confirmed CG's impression that there was essentially no one in Dubai who was opposed to granting new-to-market US companies wanting to do business in Dubai an exemption to the Company and Agency Laws in the context of an FTA; the only concern was finding a mechanism for protecting existing agency and company relationships. Even in those cases there was no desire to force an unsatisfied company to remain with agent that was not providing acceptable service; rather there was a desire to find a mechanism for ensuring that the relationship was being broken due to genuine failure on the part of the agent rather than something more "arbitrary."

#### Immigration Concerns

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18. (C) A final concern raised by Al-Tayer was a fear among Dubayyans that an FTA with the U.S. might lead to a huge influx of Indians moving to Dubai from their home country. The danger, as he saw it, was that Indian-Americans would use the FTA as a mechanism for moving their extended families from their home countries to Dubai. "It is one thing if we are talking about a manufacturing operation, but our fear is that they Americans of Indian descent will open grocery stores and shops and then bring all of their cousins and nephews to staff them...this (immigration from India) is a very sensitive matter for us." When CG questioned why an FTA with the U.S. would have any bearing on UAE policies regarding admission of guest workers from India, Al-Tayer said that UAE nationals who owned businesses here had the right to bring in guest workers, and that it was his understanding that granting "national treatment" to US companies would allow them to do the same.

#### Comment

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19. (C) Some of Al-Tayer's concerns appear to reflect a fundamental misunderstanding of a bilateral FTA (namely that the U.S. would negotiate market access on behalf of other countries and that national treatment equates to an unrestricted immigration right). USG officials have addressed both questions in informal conversations with the UAEG, and we believe that they understand that neither is the case. Given the UAEG's concerns about demographic imbalances, we do not believe that they will -- even inadvertently -- assume that national treatment equates to an unlimited immigration right. Al-Tayer's comments about access to the Saudi market demonstrate the effectiveness of the Saudi campaign in raising tension among Dubai businesses. In our conversations with the UAEG, however, they have stressed their intention to move forward with a FTA and their belief that the "Saudi problem" is one that can and should be addressed at the technical level and for which there are reasonable solutions.

110. (U) This message was coordinated with Embassy Abu Dhabi.

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